

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 SAJ-01

AID-05 CEA-01 COME-00 EB-07 FRB-03 CIEP-01 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 OPIC-03 /090 W

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R 061231Z JUN 75

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 3009

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION NATO

C O N F I D E N T I A L LISBON 3184

E.O. 11652: GDS

TAGS: ECIN, EEC, PFOR, EI, PO

SUBJ: GARRETT FITZGERALD'S MEETINGS WITH GOP LEADERS

REF: LISBO 3150

SUMMARY: DURING JUNE 1-3 VISIT TO LISBON, EC COUNCIL OF  
MINISTERS PRESIDENT FITZGERALD FOUND GOP LEADERSHIP EXTREMELY  
CONCERNED OVER PORTUGAL'S DETERIORATING ECONOMY. GOP PRESSED  
FOR AN URGENT LOAN FROM EC TO AID IN OVERCOMING BALANCE OF  
PAYMENT PROBLEMS. FITZGERALD AGREED EC COUNTRIES WOULD  
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CONSIDER LOAN REQUEST, BUT IMPRESSED UPON GOP LEADERS

NEED TO REDUCE COMMUNIST INFLUENCE OVER CERTAIN KEY AREAS.  
GOP MINISTERS ARE TO GO TO EC SUMMIT AROUND JULY 15 FOR  
FURTHER DISCUSSIONS. END SUMMARY.

1. IRISH AMBASSADOR RUSH GAVE DCM RUNDOWN ON JUNE 1-3  
VISIT TO LISBON OF PRESIDENT OF EC COUNCIL OF MINISTERS  
AND IRISH FOREIGN MINISTER GARRETT FITZGERALD.

2. EC LOAN: GOP ECONOMIC OFFICIALS MADE CLEAR TO FITZGERALD  
THAT THE CHIEF PURPOSE OF HIS VISIT FROM THEIR POINT OF VIEW  
WAS TO DISCUSS PORTUGAL'S URGENT NEED FOR A LOAN FROM THE  
EC. GOP ECONOMIC OFFICIALS NEVER GAVE FITZGERALD A DESIRED  
FIGURE BUT REFERRED TO A "LARGE LOAN" ON SOFT TERMS FOR TEN  
YEARS. FITZGERALD WAS TOLD REPEATEDLY THAT PORTUGAL'S  
WORSENING BALANCE OF PAYMENTS POSITION REQUIRED AN IMMEDIATE  
INFUSION OF CAPITAL, WITHOUT HAVING TO GO THROUGH THE  
CUMBERSOME EC BUREAUCRACY (SIC). FITZGERALD LISTENED SYMPATHETI-  
CALLY, BUT RESPONDED THAT EC COULD NOT OFFER LOAN JUST FOR BALANCE  
OF PAYMENTS PROBLEM -- SPECIFIC PROJECTS WOULD BE REQUIRED.  
NO SPECIFICS WERE GIVEN UNTIL, SHORTLY BEFORE FITZGERALD'S  
DEPARTURE, INDUSTRY MINISTER CRAVINHO CITED PROJECTS IN THE  
AREA OF ELECTRIC POWER.

3. IN RESPONSE TO INSISTENT REQUESTS FOR LOAN,  
FITZGERALD SPOKE FRANKLY TO ALL PORTUGUESE CONTACTS  
(SEE BELOW) ABOUT EC DESIRE THAT DEMOCRATIC PROCESS  
SURVIVE AND PROSPER IN PORTUGAL. SPECIFICALLY FITZGERALD  
PRESSED HIS PORTUGUESE HOSTS ON NEED FOR (A) HONEST  
ELECTIONS IN TRADE UNIONS AND (B) REMOVAL OF COMMUNIST  
DOMINATION OF PORTUGUESE MEDIA. IT WAS AGREED THAT  
PORTUGAL WOULD SEND MINISTERS ON OR ABOUT JULY 15 TO EC  
SUMMIT FOR FURTHER DISCUSSION OF LOAN. FITZGERALD HOWEVER  
LEFT GOP WITH UNDERSTANDING THAT UNLESS PROGRESS WAS MADE  
ON (A) AND (B) ABOVE LOAN WOULD NOT BE FORTHCOMING.

4. FITZGERALD'S TALKING POINTS: FITZGERALD'S APPROACH WITH  
PORTUGUESE LEADERS WAS ONE OF CARROT-AND-STICK. HE TOLD  
GOP CONTACTS THAT HIS VISIT HERE PERSONIFIED EC'S DESIRE  
TO GIVE A POSITIVE POLITICAL IMPULSE TO PORTUGUESE-EUROPEAN  
RELATIONS. SAID THAT EC FELT STRONGLY PORTUGAL WAS AND  
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SHOULD BE A MEMBER OF THE EUROPEAN FAMILY. SAID THAT EC  
COUNTRIES UNDERSTOOD DIFFICULT TRANSITION THROUGH WHICH  
PORTUGAL WAS PASSING AND HAD NO QUARREL WITH GOP'S DESIRE  
TO FIND ITS OWN PATH TO SOCIALISM. NOR DID EC MEMBERS INTEND  
TO INTERFERE IN PORTUGAL'S INTERNAL AFFAIRS. HOWEVER,  
CERTAIN DEVELOPMENTS CAUSED GREAT CONCERN: FITZGERALD THEN  
SET FORTH AT LENGTH EC VIEWS RE NEED FOR UNION ELECTIONS  
AND REMOVAL OF COMMUNIST DOMINATION OF MEDIA.

5. PORTUGUESE LEADERS REACTED DIFFERENTLY TO FITZGERALD'S MESSAGE. (IRISH AMBASSADOR ACCOMPANIED FITZGERALD ON ALL CALLS):

(A) PRESIDENT COSTA GOMES: COSTA GOMES HEARD FITZGERALD OUT QUIETLY. HE SOUGHT TO REASSURE FITZGERALD THAT MEASURES WOULD BE TAKEN ON EC'S AREAS OF CONCERN. PRESIDENT STATED THAT HONEST ELECTIONS WOULD BE HELD IN THE UNIONS. HE ALSO SAID THAT A MILITARY OFFICER WOULD SOON BE APPOINTED TO BRING PORTUGUESE TV BACK TO AN EVEN KEEL. PRESIDENT ACKNOWLEDGED THAT A MORE DIFFICULT PROBLEM EXISTED WITH THE RADIO STATIONS -- RADIO CLUBE PORTUGUES AND RADIO RENASCENCA -- WHERE ENTRENCHED COMMUNIST SYMPATHIZERS WERE DIFFICULT TO REMOVE. WITH SOME ASPERITY, COSTA GOMES TOLD FITZGERALD HE CONSISTENTLY HEARD FROM WESTERN COUNTRIES ABOUT COMMUNIST MINISTERS IN GOP, BUT WESTERNERS NEVER MENTIONED OVERWHELMING MAJORITY OF NON-COMMUNIST MINISTERS.

(B) PRIME MINISTER GONCALVES: GONCALVES HEARD FITZGERALD'S MESSAGE THEN LAUNCHED IMMEDIATELY INTO HOUR-LONG, EMOTIONAL, ARM-WAVING, MONOLOGUE. GONCALVES ASSERTED HIS STANDARD POSITION THAT PORTUGAL'S DOMESTIC AFFAIRS WERE DISTORTED BY A HOSTILE FOREIGN PRESS. THE PRIME MINISTER LAUNCHED A PASSIONATE PLEA FOR UNDERSTANDING OF THE "REPUBLICA" ISSUE, CLAIMING HEATEDLY THAT IT WAS NOTHING BUT A LABOR DISPUTE WHICH HAD BEEN BLOWN WILDLY OUT OF PROPORTION; THAT SUCH DISPUTES OCCUR IN EVERY EUROPEAN COUNTRY BUT ONLY PORTUGAL IS BLAMED FOR THEM; THAT "REPUBLICA" IS A POOR NEWSPAPER ANYWAY; AND, FINALLY, THAT "REPUBLICA" IS A PARTISAN NEWSPAPER. FITZGERALD REPLIED THAT THIS WAS PRECISELY THE POINT AT ISSUE, I.E. THE RIGHT OF THE SOCIALISTS TO GET THEIR VIEWS ACROSS. GONCALVES APPEARED NOT TO REGISTER THIS POINT.

(C) MELO ANTUNES: FONMIN MELO ANTUNES SOUGHT  
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FITZGERALD OUT REPEATEDLY DURING LATTER'S STAY, AT ONE POINT STOPPING BY IRISH AMBASSADOR'S RESIDENCE TO MEET PRIVATELY WITH FITZGERALD IN THE EVENING. ALL IN ALL, THEY MET PRIVATELY THREE TIMES. ACCORDING TO IRISH AMBASSADOR, MELO ANTUNES IS A DEEPLY WORRIED MAN. HE LEFT THE IMPRESSION OF WANTING A LINK -- ANY LINK -- WITH WESTERN EUROPE. FITZGERALD AND MELO ANTUNES APPEARED TO GET ON WELL.

(D) CUNHAL: FITZGERALD'S MEETING WITH CUNHAL CONSISTED OF A POLITE MONOLOGUE BY THE PCP LEADER. CUNHAL GAVE FITZGERALD A THEORETICAL LECTURE ON PORTUGAL'S NEEDS, IN REASONABLE TERMS. WHEN FITZGERALD QUESTIONED CUNHAL ABOUT A POINT AND SOUGHT TO ENTER INTO A DIALOGUE, CUNHAL TALKED RIGHT BY HIM AND CONTINUED WITH HIS PROFESSORIAL LECTURE.

(E) SOARES: FITZGERALD MET SOCIALIST LEADER SOARES ON JUNE 3. SOARES WAS GRATEFUL FOR FITZGERALD'S VISIT BUT WAS NOT FERTILE SOURCE OF IDEAS. HE GAVE FITZGERALD A GLOOMY ASSESSMENT OF THE POLITICAL SITUATION.

(F) OTHERS: FITZGERALD ALSO MET WITH ALL GOP MINISTERS IN ECONOMIC/FINANCIAL AREA (MURTEIRA, FRAGOSO, CRAVINHO, AND SILVA LOPES). OF THESE MINISTERS HE FOUND CRAVINHO, AND SILVA LOPES THE MOST SENSIBLE.

6. EC MEMBERSHIP: BOTH GOP AND EC (INCLUDING FITZGERALD) AGREED THAT TIME IS NOT RIPE FOR PORTUGAL TO SEEK EITHER ASSOCIATE OR FULL MEMBERSHIP IN EC. BOTH SIDES FEEL, HOWEVER, THAT ARTICLE 35 OF ROME TREATY IS BROAD ENOUGH TO COVER WIDE RANGE OF USEFUL CONTACTS, AND IT WAS WITH THIS IN MIND THAT FITZGERALD VISITED PORTUGAL.

7. ON THE WHOLE FITZGERALD FOUND WIDESPREAD ANXIETY WITHIN GOP LEADERSHIP ABOUT THE CURRENT STATE OF THE PORTUGUESE ECONOMY AND BLEAK PROSPECTS FOR THE FUTURE.

8. COMMENT: FITZGERALD'S CONDITIONS FOR A POSSIBLE EC LOAN -- PARA 3 ABOVE -- AMOUNT TO A POLITE ULTIMATUM. CARLUCCI

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